

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Special Meeting

November 29, 2004  
6:00 p.m.

Council Conference Room  
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Noble, and Councilmembers Balducci, Chelminiak, Davidson, and Degginger

ABSENT: Councilmember Lee

1. Executive Session

Deputy Mayor Noble opened the meeting at 6:00 p.m. and announced recess to Executive Session for approximately 20 minutes to discuss one item of potential litigation.

The meeting resumed at 6:35 p.m. with Mayor Marshall presiding.

2. Oral Communications

- (a) Tom Spence explained that he and his wife conducted a survey of eight shoreline property owners to determine their familiarity with proposed Comprehensive Plan amendments. Of the eight homeowners contacted, six were unaware of Comprehensive Plan elements. None of the homeowners had an understanding of the critical areas and shorelines issues currently under discussion. Mr. Spence asked Council to delay action on any amendments to the Environmental Element of the Comprehensive Plan until residents are notified and informed about the issues.

Mayor Marshall asked the City Manager to provide a summary of public outreach activities associated with the Comprehensive Plan amendment process to Council and Mr. Spence.

- (b) Jim Hutchinson, Puget Sound Energy, clarified two issues discussed during the previous week's Council meeting. He explained that PSE's planners and engineers plan to ensure appropriate levels of energy service to accommodate Bellevue's projected growth. When the Comprehensive Plan was updated in the early 1990s, a utility plan was developed to meet the electrical needs of the central business district and surrounding residential neighborhoods based on current zoning and city planning. The plan would need to be updated only if the City changes zoning, expands the CBD, or increases zoning densities in residential areas. Mr. Hutchinson said none of these factors have changed in the past 10 years and future changes are not anticipated. The plan developed and approved in

1993 remains sufficient to meet all demands for electricity, and there is no need to modify the plan.

Regarding the siting of substations, Mr. Hutchinson noted the misconception that PSE is unwilling to build new substations, particularly in the downtown area. PSE has never expressed an unwillingness to study this option. Building a downtown substation was considered during the last Comprehensive Plan review. At that time, the City and PSE jointly determined that a downtown substation would not be a prudent solution to the community's energy needs. The prudent solution was to use and expand existing substations. Mr. Hutchinson said the current electrical utility plan remains sound now and for the future. If Council is interested in amending the Comprehensive Plan to discourage substation expansion in residential areas, PSE requests that the City conduct an appropriate public hearing process to determine if this is in the best interest of the community. PSE agrees that all options should be considered. However, PSE urges Council to fully consider the potential ramifications of the proposed Comprehensive Plan amendment. Mr. Hutchinson said PSE urges Council to approve staff's recommendation provided as Option 2 in the Council meeting packet.

- (c) Marcia McGhee provided an update to her previous communications with Council. She noted her involvement in a complaint against Dr. David Allen, who did not report her rape and assault. Ms. McGhee alleged she was assaulted by four Bellevue police officers inside the King County Jail. She feels Dr. Allen instigated this by obtaining an anti-harassment order after she informed him she would be suing him and cooperating with the state's investigation. She has been Dr. Allen's patient for 17 years.
- (d) Win Cannon, representing the League of Washington Taxpayers, said the City's 2005-2006 Operating Budget and 2005-2011 Capital Investment Program Plan are indefensible when compared to the services being delivered. The League is opposed to the utility tax increase proposed in the budget. Mr. Cannon said residents were told in 1976 that the storm and surface water rate would never exceed \$2.50 per month. He is concerned that utility rates are increasing inappropriately.
- (e) Richard Leider, Bellevue Downtown Association, noted Council's ongoing discussions regarding the siting and expansion of PSE's electrical substations. The BDA is concerned that the proposed Comprehensive Plan amendment could create unanticipated consequences affecting costs, rates, and future capacity. Mr. Leider said locating substations in the downtown is unlikely to produce the best and highest use of available properties. He encouraged Council approval of Option 2 provided in the meeting packet.
- (f) Leslie Lloyd, Bellevue Downtown Association, said the ice skating rink in Downtown Park has been redesigned this year and is now open.

### 3. Study Session

- (a) 2004 Comprehensive Plan Update and accompanying Land Use Code Amendments

Planning Director Dan Stroh recalled that Council approved several ordinances on November 22 related to the Comprehensive Plan update. Tonight Council is asked to reconsider revised Policy UT-72 [formerly proposed as Policy UT-73] regarding electrical substations and to approve Ordinance No. 5563, amending the General Elements and Glossary of the Comprehensive Plan, and Ordinance No. 5570, the umbrella ordinance for Comprehensive Plan amendments.

Responding to Dr. Davidson, Mr. Stroh said the proposed policy refers to discouraging the placement of substations serving the downtown in adjacent residential areas.

Dr. Davidson expressed a preference for Option 2, which would delete Policy UT-72 at this time and initiate a separate Comprehensive Plan amendment to consider a policy discouraging substation expansion in single-family neighborhoods.

Mayor Marshall would like to expand the policy to discourage locating substations serving all commercial areas in any residential neighborhoods. She suggested working with Puget Sound Energy to achieve this goal.

Mr. Stroh recommended two revisions to Resolution No. 7107 if Council chooses to expand the policy as suggested by the mayor.

Deputy Mayor Noble prefers to not adopt Policy UT-72 now and concurs with Mayor Marshall's recommended approach. Councilmembers Degginger, Chelminiak, and Balducci agreed.

- ➡ Deputy Mayor Noble moved to adopt Ordinance No. 5563 amending the General Elements and Glossary of the Comprehensive Plan, excluding proposed Policy UT-72. Mayor Marshall seconded the motion.
- ➡ The motion to adopt Ordinance No. 5563, excluding Policy UT-72, carried by a vote of 6-0.
- ➡ Deputy Mayor Noble moved to adopt Ordinance No. 5570, the umbrella ordinance adopting the 2004 Comprehensive Plan amendments approved in Ordinance Nos. 5563 through 5569. Mr. Degginger seconded the motion.
- ➡ The motion to adopt Ordinance No. 5570 carried by a vote of 6-0.

Mayor Marshall noted Council consensus to postpone action on Resolution No. 7107 initiating a CPA to review policies for sitings and expansions of electrical substations.

- ➡ Deputy Mayor Noble moved to approve Resolution No. 7108, repealing Resolution No. 7106 [passed on November 22, 2004] and documenting the City's progress on critical areas Land Use Code amendments. Mr. Degginger seconded the motion.
- ➡ The motion to approve Resolution No. 7108 carried by a vote of 6-0.

(b) 2005-2006 Operating Budget and 2005-2011 Capital Investment Program (CIP)  
Plan Review and Discussion

City Manager Steve Sarkozy noted Council's ongoing discussions throughout what has been a difficult budget process due to the economic downturn of the past few years. The budget responds to Council's priorities of no property tax increase, a net reduction of FTE (full-time equivalent) positions, and limiting expenditure growth. Factors contributing to approximately 55 percent of the increase in the General Fund budget are health benefits, state pension, and workers compensation costs (\$5.5 million); new capital projects (\$2.5 million); and new investments (\$1 million). The growth in the base operating budget is below the rate of inflation.

Mr. Sarkozy explained that expenditures slightly exceed revenues from 2005 through 2010, which represents the need to address this structural gap in the City's revenue stream. He briefly reviewed presentation slides listing budget and staffing reductions by department and program area.

Responding to Mayor Marshall, Mr. Sarkozy explained for the public that the 18 percent increase in the budget, as reported in the newspaper, reflects expenses related to the New City Hall. State laws require the City to include the amount of this debt as an expenditure in the budget. This double budgeting approach results in a deceptively inflated budget.

Dr. Davidson expressed an interest in reducing outside contracting in the budget. Mr. Sarkozy said contracting is often the most cost-effective approach to meeting fluctuating workload demands without adding the cost of hiring full-time staff. Reductions in contract staff would necessitate service reductions, which Council and staff have been trying to avoid throughout the budget process.

Deputy Mayor Noble is unwilling to compromise the delivery of services by reducing outside contracting.

Responding to Mr. Degginger, Mr. Sarkozy noted expenditure reductions over the past three years. Continued reductions to address the structural gap in revenues and expenditures are not possible without reducing the scope of the City's services and programs.

Mr. Sarkozy reviewed a list of Potential Budget Cuts prepared by staff for Council's consideration. However, staff recommends against implementing any of the reductions. In order to address the long-term structural gap in the City's budgeting, staff recommends an increase in utility taxes.

Dr. Davidson is reluctant to increase taxes at a time when the economy is improving. Mr. Sarkozy explained that the financial forecast assumes an upturn in the economy and estimates revenue accordingly, but a structural gap remains.

Dr. Davidson feels one-time sales tax revenue associated with major construction and development projects should be reflected in the budget.

Mr. Chelminiak suggested Council designate a specific fund/account for this one-time revenue. Mayor Marshall concurred and suggested using the money to repay loans from reserve accounts for the New City Hall project.

- Mr. Chelminiak moved to: 1) allocate 2005-2006 one-time construction-related sales tax revenue to the Council Contingency fund, and 2) schedule a future Council discussion regarding the use of these funds. Mayor Marshall seconded the motion.

Councilmembers Balducci and Degginger expressed support for the motion.

Dr. Davidson is not comfortable with the concept of increasing utility taxes to balance the operating budget, particularly when one-time sales tax revenue is anticipated.

Deputy Mayor Noble expressed a preference for using one-time revenue to repay loans from reserves.

- The motion to: 1) allocate 2005-2006 one-time construction-related sales tax revenue to the Council Contingency fund, and 2) schedule a future Council discussion regarding the use of these funds, carried by a vote of 5-1, with Dr. Davidson dissenting.

Mr. Degginger commented on the challenge of balancing the budget and Council's difficult decision to reduce staffing. In addition, the City has taken responsibility for some functions and programs previously funded by King County. Mr. Degginger agrees with the City Manager that the time has come to address the need for enhanced revenue.

Mr. Noble concurred. While he is not in favor of increasing taxes, he also is not in favor of reducing services.

Mr. Chelminiak said the proposed utility tax increase is small, and the City's taxes are generally lower than surrounding jurisdictions. Bellevue has experienced a property tax increase only once in approximately 10 years.

Dr. Davidson opposes a utility tax increase and is concerned about high utility costs. He reiterated his position that taxes should not be raised during an economic recovery.

Mayor Marshall cautioned that further budget reductions will result in an overall decreased level of service. She noted previous Council discussions regarding potential budget reductions and revenue enhancements, many of which have been rejected by Council at this point. She referred Council to page 3-69 of the packet for a list of remaining revenue options. The proposed gas, electric, water, sewer, and storm/surface water utility tax increase results in an additional cost of \$1.18 per month for the average household.

Mr. Chelminiak feels a utility tax increase is more fair than the previously considered cable tax because it affects the entire community. Mr. Degginger concurred.

Mr. Noble noted that, with the increase, Bellevue's tax rate is still below most neighboring cities.

- Deputy Mayor Noble moved to increase the gas, electric, water, sewer, and storm/surface water utility tax rate from 4.5 percent to 5 percent. Mayor Marshall seconded the motion.
- The motion to increase the gas, electric, water, sewer, and storm/surface water utility tax rate from 4.5 percent to 5 percent carried by a vote of 5-1, with Dr. Davidson dissenting.

Mayor Marshall thanked department directors and staff for their hard work and patience in working with Council on the budget.

Dr. Davidson noted a request from Councilmember Lee that Council postpone action on the budget until December 13. Following brief discussion, Mayor Marshall noted Council consensus to proceed with action on the budget on December 6.

Mayor Marshall thanked planning staff for their extensive work on the Comprehensive Plan update.

Mr. Degginger recalled his previous suggestion to broaden the scope of the proposed Eastgate Subarea Plan update.

- Mr. Degginger moved to reallocate \$20,000 from the Bel-Red Urban Corridor/High-Capacity Transit study to the Eastgate Subarea Plan update. Ms. Balducci seconded the motion.

Responding to Mrs. Marshall, Mr. Degginger said he is not suggesting the Eastgate study include commencing the annexation process. However, the study involves outreach and analysis of remaining unincorporated areas with the idea they will ultimately be annexed. Planning and Community Development Director Matt Terry confirmed Mr. Degginger's understanding of the study scope.

- The motion to reallocate \$20,000 from the Bel-Red Urban Corridor/High-Capacity Transit study to the Eastgate Subarea Plan update carried by a vote of 6-0.

Mayor Marshall declared the meeting adjourned at 8:43 p.m.

Myrna L. Basich  
City Clerk

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